



**Coimisiún an Chúlchiste Náisiunta Pinsean
National Pensions Reserve Fund Commission**

**National Pensions Reserve Fund
Quarterly Performance and Portfolio Update
At 31 March 2011**

1. Fund Overview

Further to the announcement in late November 2010 that the National Pensions Reserve Fund would provide up to €10 billion of the State's €17.5 billion contribution to the €85 billion EU/IMF Programme of Financial Support for Ireland ("the Support Programme"), the Fund during 2011 to date has liquidated assets to enable this contribution to be made. As part of a risk management strategy which had the objectives of raising the required cash while preserving the value of the remaining assets and on foot of Directions from the Minister for Finance, €10 billion in cash has been realized, comprising €5.5 billion in February 2011 and €4.5 billion in April 2011.

As a result the Discretionary Portfolio (the Fund excluding its Directed Investments) was reduced to €9.8 billion at 31 March 2011 and was further reduced in April to €5.3 billion. The cash component of the Directed Portfolio, which was €5.5 billion as at 31 March 2011, was increased by €4.5 billion during April to a total of €10 billion.

The Total Fund size at 31 March was €23.2 billion.

Fund at 31 March 2011	€bn	%
Discretionary Portfolio	9.8	42.2%
Banking investments	7.9	
Cash	5.5	
Directed Portfolio	13.4	57.8%
Total Fund	23.2	100.0%

2. Fund Performance

Performance	1 January to 31 March 2011
Discretionary Portfolio	0.3%
Directed Portfolio	-12.0%
Total Fund	-5.3%

The Total Fund earned a return of -5.3% over the quarter. Since inception, the annualised performance of the total Fund is 1.3%.

The Discretionary Portfolio earned a return of 0.3% in the three months to end March 2011. Since the Fund's inception in 2001, the annualised performance of the Discretionary Portfolio is 3.4% per annum.

3. Sub Portfolios

(a) Discretionary Portfolio

The Discretionary Portfolio earned a return of 0.3% over the first quarter. Although broadly flat year to date in euro terms, this reflected a volatile period for equities. Following a strong start to the year, a number of concerns emerged including geopolitical risk in the Middle East, the crisis in the eurozone and the Japanese tsunami and these combined to produce a rapid selloff. However surprising resilience meant that most of the losses were recovered by quarter end, although returns to euro investors from global assets were dampened by the weak dollar.

The Discretionary Portfolio asset allocation as at 31 March 2011 is set out below:

Asset Class	€m	% of Discretionary Portfolio
Large cap equity	3,831	39.0%
Small cap equity	485	5.0%
Emerging markets equity	590	6.0%
Quoted Equity	4,906	50.0%
Eurozone government bonds	0	0.0%
Eurozone inflation linked bonds	69	0.7%
Eurozone corporate bonds	601	6.1%
Cash	1,436	14.6%
Financial Assets	2,106	21.4%
Private equity	895	9.1%
Property	796	8.1%
Commodities	479	4.9%
Forestry	30	0.3%
Infrastructure	419	4.3%
Absolute return funds	184	1.9%
Alternative Assets	2,803	28.6%
Total Discretionary Portfolio	9,815	100.0%

(b) Directed Portfolio

The Directed Portfolio is comprised of ordinary shares and preference shares in Allied Irish Banks (“AIB”) and Bank of Ireland (“BoI”) and cash realized in respect of the State’s contribution to the Support Programme.

The Directed investments as at 31 March 2011 are set out below:

Directed Portfolio	AIB €m	BoI €m	Cash €m	Total €m
Preference shares	3,500	1,837		5,337
Ordinary shares	165	418		583
Convertible non-voting ordinary shares	1,983			1,983
Banking investments	5,648	2,255		7,903
Cash			5,480	5,480
Total Directed Portfolio	5,648	2,255	5,480	13,383

Investments in ordinary and convertible non-voting ordinary shares are valued at market price. Investments in preference shares continue to be valued at cost. An independent valuation review is currently in progress to determine the value at which the preference shares will be carried in the Fund's financial statements for the year ended 31 December 2010. The outcome of the independent valuation review will be reflected in the Fund's Annual Report for 2010, which is expected to be published in July 2011.

As at 31 March 2011, the Fund's directed investments represented 36.0% and 49.9% respectively of the ordinary share capital of Bank of Ireland and AIB. Following the one for one conversion on 8 April 2011 into ordinary shares of the AIB convertible non-voting ordinary shares (which were originally issued to facilitate the disposal of AIB's Polish interests), the NPRF now holds 92.8% of the ordinary share capital of AIB.

The Directed Portfolio produced a return of -12.0% over the quarter which was largely attributable to movements in ordinary share prices of AIB and BoI and also included dividend income of €214 million in cash received in February 2011 in respect of the Bank of Ireland preference shares.